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C O N F I D E N T I A L TAIPEI 003600

SIPDIS

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SUBJECT: TAIWAN WILL FURTHER INVESTIGATE SUSPECT EXPORTS

REF: STATE 157206

Classified By: AIT Director Douglas Paal, Reason 1.4 b/d

11. (C) Summary: AIT delivered reftel non-paper/talking points to the Bureau of Foreign Trade (BOFT) on August 26. AIT also delivered and explained the AIT-developed license template. BOFT said it will further investigate the cases mentioned in the talking points. BOFT praised the template's "sophisticated design," and described efforts to conduct post-shipment checks through Taiwan offices in Iran. End summary.

12. (C) AIT/ECON delivered reftel non-paper/talking points on Taiwan machine tool exports to Syria to BOFT Export Controls Task Force Head Wally Su on August 26. AIT/ECON stressed the importance of requiring companies to know the end user of their products and asked for a clear explanation of what restrictions had been placed on the She Hong Company. Su was unable to readily explain the restrictions placed on She Hong, or how Eumatech, an unregistered company, could continue to export machine tools to Syria, but said BOFT would investigate the cases further. Su said he had asked Ecoma's General Manager Mr. Guo to travel from Taichung to Taipei to explain the company's contact with Iran after its commitment earlier this year not to have further dealing with that country. Ecoma General Manager Guo said an Iranian company had approached Ecoma in May for a price quotation on machine tools, but no deal had been reached.

13. (C) Su told AIT he did not have any questions on the export/transit/re-export license template that AIT had designed and provided to BOFT. He said it seemed "self-explanatory" and that his technical people had praised the template's "sophisticated design."

14. (C) Su also spoke of his efforts to conduct post-shipment verification in Iran through the Taiwan External Trade Office (TAITRA) in Tehran. He said that he had asked TAITRA to investigate the Iranian companies which purchased the machine tools from Ecoma. However, Su learned from TAITRA that many companies in Iran operate with a low public profile and routinely use invoice manipulation to keep import duties to a minimum. As a result, TAITRA's investigation aroused suspicions, revealed little, and left the investigator fearing for his physical safety after making inquiries. Su said TAITRA reported that Iran was making a major push to develop its automobile industry and estimated the potential market for car manufacturing equipment at USD 3 billion. TAITRA further reported that Germany had sold USD 1 billion worth of car manufacturing equipment to Iran in the past year.  
PAAL